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BRIEFING PAPER

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EXCISE 103

B1, A5

# NEAR EAST AND SOUTH ASIA OVERVIEW

## U.S. Objectives

Critical American objectives in the Near East and Southwest Asia are:

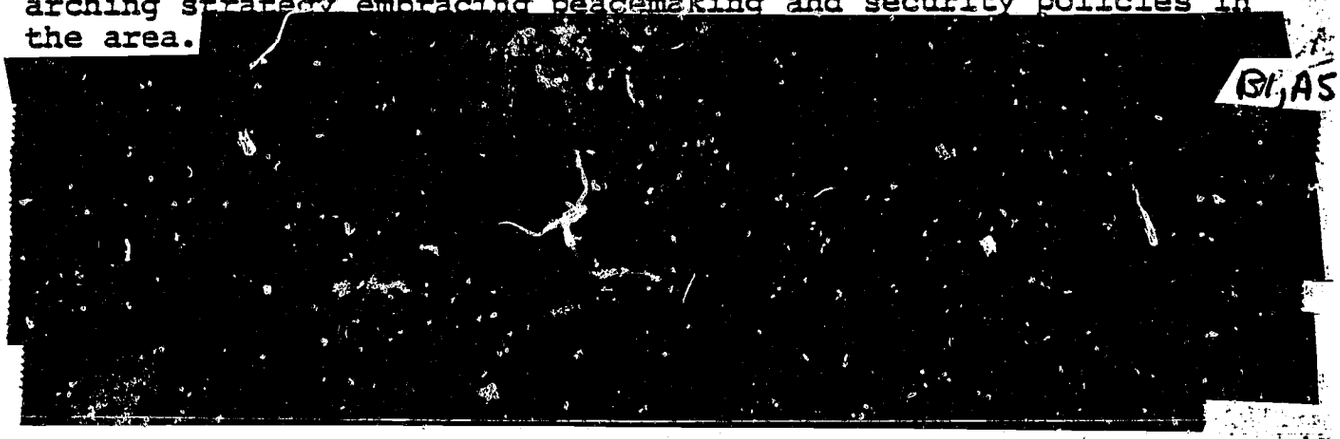
-- Assuring the security and welfare of an independent Israel: a central tenet of U.S. policy since 1948, rooted in U. S. commitment to the people of Israel, in shared strategic interests, in our concept of international law and in our historic commitment to democratic institutions.

-- Protecting Western access to the region's oil, money and markets: a longstanding interest greatly intensified in the past decade. World dependence on Middle East oil, an expanding ME commercial market, and the increasing influence of ME oil producers on the international financial order, assure that influence in the Middle East will remain vital both to our security and our economic well-being.

-- Preventing an expansion of Soviet power in this region: fundamental to the global strategic balance, to allied economic and strategic interests, and the security of Israel.

## A Changing Environment

The challenge now facing the United States is to develop an overall approach which makes pursuit of each of these objectives consistent with pursuit of the others. All must fit into an overarching strategy embracing peacemaking and security policies in the area.



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The Middle East and Southwest Asia have changed dramatically in the past two years. The Egypt-Israeli Peace Treaty has diminished the viability of an Arab military option, but has focussed Arab attention on economic leverage. While Israel's security has been enhanced, U.S. and allied interests are increasingly threatened.

EXCISE

At the same time, Iranian instability and the Soviet invasion of Afghanistan have sharply increased the threat of U.S.-Soviet confrontation in the region.

Between 1973 and 1979, the relative stability of the region permitted our Middle East strategy to focus on pursuit of an Arab-Israeli settlement, working closely with area moderates and leaving the Soviets on the diplomatic sidelines. A strong and stable Iran, in alliance with Turkey and Pakistan and cooperating with Saudi Arabia, provided the mainstay of a security system in the Northern tier and Persian Gulf. To the west, Egypt under Sadat, joined those resisting the Soviet encroachment and cooperating with us. Pragmatic U.S. relationships with Tunisia, Algeria, and Morocco sought to contain Soviet influence in the Mediterranean. To the east, we sought to preserve sufficient American influence with Pakistan and India to offset the Soviets and Chinese.

Since the revolutions in Afghanistan and Iran, we have faced a more direct challenge to the region's security. The threat of Soviet military intervention was manifest in the invasion of Afghanistan in December, 1979.

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U.S. interests are threatened by the instability that characterizes much of the region. Beset by ancient ethnic and sectarian discord, buffeted by rapid progress with erosion of traditional values, challenged to forge an identity that is neither East nor West, these societies will remain vulnerable to convulsions for years to come. Many of these, such as the current Iran-Iraq war, will be subject to direct U.S. or Soviet influence.

As we seek an overarching Middle East/Southwest Asia strategy for both security and peace, we have assets in our relations with Israel, Egypt, Saudi Arabia, Turkey and Pakistan, and in a more limited sense with Oman, Bahrain, Jordan, Morocco and Tunisia.

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An Agenda of Forcing Events

As the new Administration formulates its policies for the Near East and Southwest Asia, events may take place in the area which will compress the time for decision, foreclose certain options or open new opportunities for advancement of US interests. The following brief list is suggestive of events that in the first eighteen months of the Reagan Administration which would require a US response. (Asterisks indicate subjects covered in more detail in earlier papers prepared for the transition team.)

* -- Pressures in the Peace Process: While ways to pace events or buy time exist, there will be early pressure to take some posture toward the peace process. Begin and Sadat may press for early meetings with the President to gauge the Administration's commitment to the autonomy negotiations.

* -- Israeli Annexation of the Golan Heights: The precedent of the East Jerusalem annexation bill suggests that annexation of Golan could also become law in the absence of clear opposition from the Begin coalition. Passage would cause a sharp reaction in the Arab world and would seriously undermine Resolution 242 as the basis for Middle East peace.

-- East Jerusalem: A similar Israeli move to test the Administration or simply to respond to Israeli political imperatives could develop if Begin were to go ahead with the move of his office to East Jerusalem.

-- Initiatives in the UN on Jerusalem and Palestine: The Islamic and Arab groups in the UN may seek Security Council or General Assembly action on Jerusalem and the rights of Palestinians. The U.S. position on these issues will define in important ways U.S. policies toward the Arab-Israeli dispute.

-- Unravelling in Lebanon: Sectarian violence, Israeli preemptive strikes, the activities of Palestinians, and the continued presence of Syrian troops constitute strong constraints on the ability of Lebanese authorities to develop an effective government. The Lebanese situation contains the seeds both of disintegration of the

Lebanese state and war between Syria and Israel with attendant dangers of US-Soviet confrontation.

* -- F-15 Enhancement Items for Saudi Arabia: The Saudis are likely to press this issue as soon as the new Administration takes office and will see its response as an important test of the US-Saudi relationship.

* -- The Iran-Iraq War: The possibility of the spread of the conflict to the Gulf states, while diminished from the early days, may increase as both sides become frustrated with stalemate. Oil prices could rise sharply in the weeks ahead in anticipation of prolonged reduction in Gulf production. While the Soviets are playing a cautious game, their position could change rapidly if a prolonged conflict presents them with exploitable opportunities.

* -- The Hostages in Iran: If the hostages remain captive, this issue may influence U.S. flexibility in dealing with a range of other issues confronting the new Administration.

* -- Sinai Withdrawal and Establishment of a Multinational Force: The Israelis have indicated that their withdrawal from the remaining portions of Sinai in April 1982 is contingent on the formation of an international force (or at least an American force) to monitor and guarantee demilitarization of Sinai. Negotiations between ourselves, the Israelis and Egyptians, scheduled to open this April, will have an important bearing on the atmosphere for making progress in the broader Middle East negotiations.

-- OPEC Decisions: Sharp increases in OPEC oil prices, possibly as early as December and throughout early 1981 would seriously complicate the Administration's economic strategy and strain international financial markets. Saudi Arabia's attitudes toward the US in the coming months may be critical in determining its price and production policies.

* -- Morocco and the Western Sahara: The enervating conflict with the Algerian and Libyan-backed Polisario has the potential for serious damage to King Hassan's regime, and to the U.S. position in this strategic country.

-- PLO Observer Status in the World Bank and IMF: The US effort to keep the PLO out of last September's Bank/Fund meetings pushed this issue into committee study until March 1981. Thereafter it is likely to come forth again, threatening Congressional and wealthy Arab support for the international financial institution.

* -- Libya: Qhadafi's international misbehavior foreshadows growing tension in US-Libyan relations and a possible need for stronger U.S. actions against Libya.

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| Total, consulting services..... | $9 | $10 | -- | 49 | 53 | -- |

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